Missouri Public Service Commission

Telecommunications Department

2006 In Review

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May 2007

The Telecommunications Department 2006 in Review contains brief summaries of noteworthy telecommunications activity and work-related events during the 2006 calendar year. The report is organized by subject matter and is intended to be a resource document for the Telecommunications Department Staff and other interested people. Similar reviews were conducted for 2005 and 2004. I'd like to thank the Telecommunications Department staff, the General Counsel's office and Susan Sundermeyer for their assistance in putting together this report. If you have any comments or suggestions, please let me know.

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2006 in Review

Section I. Telecommunications Department Staff

No personnel changes occurred during 2006. Twelve people comprised the Telecommunications Department at the end of 2006. These people are: John Van Eschen (Manager), Larry Henderson (Technical Specialist II), Mick Johnson (Technical Specialist II), Natelle Dietrich (Economist III), Walt Cecil (Economist II), Mike Scheperle (Economist II), Adam McKinnie (Economist II), William Voight (Rate and Tariff Supervisor), Art Kuss (Utility Engineering Specialist II), Sherri Kohly (Rate and Tariff Examiner III), Lisa Mahaney (Rate and Tariff Examiner II), and Sara Buyak (Rate and Tariff Examiner II).

Walt Cecil received an award from Missouri Assistive Technologies, the entity responsible for the equipment distribution program, for Walt's work with Relay Missouri.

Larry Henderson received Employee of the Month for his work with quality of service rules. Natelle Dietrich received Employee of the Month for her work with rulemakings, federal telecommunications activity and arbitration cases.

Section II. Staff Training and Travel

Insane Cost Explanations: As part of the adjudication division's "SME of the Month" program, on February 23, 2006, telecommunications department staff members, Adam McKinnie and Natelle Dietrich, presented "Insane Cost Explanations (ICE)." The presentation covered such topics as: the difference between stand alone and allocated costs, the difference between TSLRIC and TELRIC, and how different people using the same methodology can come up with different cost numbers for the same item.

Relay Missouri Invoice Training: On May 24, 2006, Walt Cecil and Mike Scheperle attended a training session hosted by Sprint on the monthly Relay Missouri invoices received by the Missouri Public Service Commission for intrastate relay traffic. Sprint reviewed information from various reports generated for Missouri Relay services.

Relay Missouri: On May 25, 2006, Walt Cecil participated in another adjudication department "SME of the Month" program. This training was on Relay Missouri and relay statutes and regulations and included a demonstration of equipment used by hearing and speech impaired people to communicate over the telephone. Staff explained how Relay Missouri works, discussed the current contract, discussed how funding for the federal and Missouri programs is obtained, and discussed how Staff prepares its forecasts and recommendations regarding the surcharge and relay fund balance.

DeafNation EXPO: The Missouri DeafNation EXPO was held on Saturday April 22, 2006, in St. Louis at the St. Charles Convention Center. The DeafNation EXPO had sixty-six booths and estimated attendance of over 2,700 people. The Relay Missouri Advisory Committee (RMAC) members, including Walt Cecil and Mike Scheperle, attended. DeafNation is an exhibition for people wanting to stay updated about the latest happenings in the deaf and hard-of-hearing

community. A big part of the DeafNation provides an opportunity for deaf and hard-of-hearing persons to socialize and view the latest technology demonstrations. The newest technology introduces IP-relay which offers a person a broad range of relay communications options including instant messaging, video relay service and wireless relay.

MTIA Annual Meeting: This meeting was held at Lake of the Ozarks on August 6-9, 2006. Noteworthy presentations were from Pamela Gallant, Director of Low Income Programs for Universal Service Administrative Company.

MTIA Spring Meeting: This meeting was held at Springfield in May 2006.

Map Training: Art Kuss attended a 2-day training seminar “Introduction to ArcGIS I” on July 27 & 28, 2006, a basic course in the fundamentals of digital mapping. ESRI ArcGIS is the highly versatile electronic mapping program licensed to the Commission and numerous other state agencies, to create and edit detailed maps illustrating state topics of interest and their relationship to geographical features. The program is being used to assemble a permanent high-definition library featuring telephone company service areas/exchanges.

Mid-America Telecommunications Showcase & Seminar: This showcase/seminar displayed the latest in telecommunications technology, support services and product demonstrations. Larry Henderson attended.

Missoula Training: On July 24, 2006, the NARUC Task Force on Intercarrier Compensation filed an intercarrier compensation reform plan (the “Missoula Plan”). Staff participated in several training sessions to obtain an understanding of all aspects of the plan in preparation for comments to be filed with the FCC in October 2006.

- On September 11, 2006, several Staff members attended a Missoula Seminar hosted by consultants, GVNW. The seminar provided GVNW’s interpretation of the various aspects of the Missoula Plan, largely concentrating on the rural components.
- On September 14, 2006, Staff participated in a NARUC webinar designed to allow the proponents of the Missoula Plan to explain the various components of the Missoula Plan.
- On September 25, 2006, Staff participated in a NARUC webinar designed to present the opponents views on the Missoula Plan. Participants included representatives from the consumer viewpoint, the cable industry, the competitive local exchange carrier (CLEC) industry, the wireless industry and Verizon.
- On October 3, 2006, Staff held a Missoula Workshop to allow interested parties the opportunity to express opinions on the Missoula Plan. Speakers included AT&T, CenturyTel, Embarq, Comcast/Missouri Cable Association, rural Missouri incumbent local exchange carriers (ILEC), and XO Communications.

Missouri Standardized Utility Marking Conference: This conference was held September 26, 2006, in Columbia, Missouri and was sponsored by Missouri Common Ground which is affiliated with an organization dedicated to ensuring public safety, environmental protection and the integrity of services by promoting effective damage prevention practices. The conference covered best practices of marking underground utilities. All types of utilities with underground facilities attended. Mick Johnson and Larry Henderson attended this conference.

Section III. Rate Cases

Cass County Telephone Company (Case No. IR-2006-0374): The Commission approved a Stipulation and Agreement whereby Cass County Telephone Company agreed to reduce revenues by $4.1 million by providing a $40 credit to each qualifying basic local customer ($350,000 total), a $400 cash distribution to each qualifying basic local customer ($3,250,000) and a $500,000 cash distribution that was divided among switched access customers based on their percentage of Cass County's intrastate switched access revenue.

Section IV. Competitive Status

CenturyTel and Spectra: By the end of 2006 CenturyTel had nine exchanges and seven exchanges with competitive classification for residential and business services, respectively. Spectra had seven exchanges and four exchanges with competitive classification for residential and business services, respectively. These totals include the following competitive classification requests filed during 2006 from Case Nos. IO-2006-0316 and IO-2006-0317. On February 28, 2006, the Commission issued orders finding that CenturyTel of Missouri, LLC's residential services, other than exchange access service, are classified as competitive in the Ava, Columbia, Crane, Marshfield, and Seymour exchanges and that Spectra Communications Group, LLC, d/b/a CenturyTel's residential services, other than exchange access service, are classified as competitive in the Everton and Mt. Vernon exchanges. MCC Telephony of Missouri, Inc. (Mediacom), was cited as the competitor providing telephone services in whole or in part over their own facilities.

Embarq: By the end of 2006 Embarq had 12 exchanges and seven exchanges with competitive classification for residential and business services, respectively. These totals include the following competitive classification requests filed during 2006. The company filed two applications for competitive status during 2006. In Case No. TO-2006-0375 the Commission issued an order on April 20, 2006, to classify Sprint's residential and business services (other than exchange access service) in the Jefferson City exchange as competitive. MCC Telephony of Missouri, Inc. (Mediacom) was cited as the competitor providing telephone services in whole or in part over their own facilities for residential services and Socket Telecom LLC (Socket) as the competitor providing telephone services in whole or in part over their own facilities for business services. Sprint identified numerous wireless carriers located in the Jefferson City exchange. The Commission elected not to hold an on-the-record presentation in this case. In Case No. IO-2006-0551 the Commission issued an order granting competitive status for residential services in the exchanges of Buckner, Lake Lotawana, Oak Grove, Odessa and Pleasant Hill on July 20, 2006. Comcast Telephone of Missouri, L.L.C. was cited as satisfying the requirements of Section 382.245.5 RSMo (2005).

AT&T: AT&T has 77 exchanges and 75 exchanges with competitive classification for residential and business services, respectively. The company did not file any new requests for competitive classification during 2006.

Investigation as to whether competitive conditions continue to exist in AT&T exchanges (Case No. TO-2007-0053): Section 392.245.5 RSMo (2005) requires the Commission to review the status of competition in any exchange deemed competitive in which the ILEC increases basic

local rates. AT&T increased basic local rates in competitive exchanges in 2006. On August 8, 2006, the Staff filed a report regarding the review of competitive classification. The Office of Public Counsel requested local public hearings and an evidentiary hearing. The Commission denied the request for local public hearings, but granted the request for an evidentiary hearing in March 2007.

Section V. Switched Access Charges

McLeod USA: In Tariff File Number JC-2006-0788 McLeod USA proposed to increase its exchange access rates beyond those of the incumbent local exchange carrier, AT&T. The Commission suspended the tariff filings in Case No. TT-2006-0474. On October 30, 2006, McLeod withdrew its tariff filing. The Commission closed the case.

Section VI. Federal Telecom Activity

NARUC: Natelle Dietrich is an active member of the NARUC Staff Telecommunications Subcommittee and serves as the first vice chair of the subcommittee. She attended subcommittee meetings in February, July and November 2006, and served as the Acting Chair at the November meeting. Throughout the year, the Staff Subcommittee considered issues such as relay service issues, numbering issues related to VoIP, intercarrier compensation/Missoula Plan, rural competition issues, broadband deployment and universal service. Natelle also participates in weekly commissioner conference calls addressing a variety of timely issues.

Federal Telecom Update meetings: The Telecommunications Department holds periodic federal telecom update meetings to inform interested Commissioners and Staff of activities at the federal level. In 2006, topics of interest included pending federal legislation and the Missoula Plan. To provide an internal resource tool on federal issues, the Department maintains a folder in the PSC's g: shared drive (federal telecom updates). This folder not only contains a brief summary of federal activity, but contains links to key FCC decisions and Commission comments. Finally, at the end of each month the Commission's DC Counsel provides a summary of federal activity for the month. These summaries are posted on the Intranet site under Operations, Telecommunications as an additional internal resource.

Relay-related: In February 2006, the MoPSC filed comments with the FCC in response to a Notice of Proposed Rulemaking seeking comment on the issue of access to emergency services for Internet-based forms of Telecommunications Relay Services (TRS), namely Video Relay Service (VRS) and Internet Protocol (IP) Relay. The MoPSC identified practical issues related to reimbursing TRS and VRS providers and suggested that such issues need to be addressed before the FCC gives any serious consideration to allocating such costs to intrastate jurisdictions. The MoPSC stated that it is not appropriate for the Commission to shift costs associated with services it has previously determined to be interstate services to intrastate jurisdictions.

On May 8, 2006, the FCC released a Further Notice of Proposed Rulemaking (FNPRM) "address[ing] the misuse of the two Internet-based forms of telecommunications relay service (TRS), Internet Protocol Relay Service (IPR) and Video Relay Service (VRS)." The MoPSC contacted the Relay Advisory Committee for input on the issue. Tracy Mishler, committee chair, responded to the request. Relay providers such as Sprint Nextel Corporation, AT&T, Inc. and

Sorenson Communications, Inc. filed initial comments in response to the FNPRM suggesting relay providers already have procedures in place to handle IP Relay misuse and fraud. The comments provided by the industry and Ms. Mishler also suggest solutions put forth in the FNPRM may not be effective, may be intrusive or may be inconsistent with the intent of the Americans with Disabilities Act. The MoPSC filed reply comments attaching Ms. Mishler's response and suggesting the FCC direct the Relay industry to further explore this issue and develop minimum standards to be reviewed and approved by the FCC.

Customer Proprietary Network Information (CPNI): In April 2006, the FCC sought comment on what additional steps, if any, it should take to further protect the privacy of CPNI that is collected and held by telecommunications carriers. Comment was sought in response to issues raised by the Electronic Privacy Information Center (EPIC). In its petition to the FCC, EPIC provided information indicating on-line data brokers and private investigators advertise their ability to obtain CPNI without the holder's or owner's consent. EPIC also stated these entities further advertise that such information can be procured in a short period of time. The MoPSC filed comments agreeing with EPIC that current security protocols protecting CPNI are insufficient. The MoPSC commented that, for the more effective protection of CPNI, customer telephone records and associated information should only be released through the explicit authorization of and with the complete understanding of the consumer.

Cass County Telephone Company: On July 20, 2006, the FCC granted authority to Cass County Telephone Company and LEC Long Distance, Inc. to transfer control of telecommunications assets from Cass County to FairPoint Missouri and FairPoint Communications. The transfer was related to prior criminal activities of certain CassTel principals to commit universal service fraud. Even though the FairPoint entities had no involvement in the criminal activities, the FCC imposed certain conditions on the transfer: FairPoint shall make a payment of $5.2 million to the Universal Service Administrative Company and the National Exchange Carriers Association as reimbursement of overpayments to CassTel; FairPoint shall undergo annual independent audits for three years as attestation to compliance or non-compliance with Universal Service Fund (USF) requirements; no individual convicted of a felony may have an ownership interest or operational involvement in FairPoint; recovery of reimbursements shall not be from ratepayers; FairPoint must submit a plan for managerial and financial controls; FairPoint shall appoint a compliance officer to monitor receipt and use of high-cost universal service support.

Hurricane Katrina recommendations: On June 19, 2006, the FCC released a Notice of Proposed Rulemaking seeking comment on any actions it should take to address the recommendations of an Independent Panel reviewing the impact of Hurricane Katrina on communications networks. In times of disaster or emergency, it may be necessary for a carrier to temporarily transport calls to areas not affected by the adversity. The FCC has authority to grant STA (special temporary authority) if the proposed action will serve the public interest, convenience and necessity. In its comments, the MoPSC asserted that good cause had been shown to support the temporary waiver of all applicable Commission rules and requirements to allow for the transport of calls outside local calling areas or across LATA boundaries, as needed, at such time as the governor of the affected state, or the President, declares a state of emergency or disaster in an affected area.

Reverse auctions for federal USF: On August 11, 2006, the Federal-State Joint Board on Universal Service sought comment on the merits of using auctions, particularly reverse auctions, to determine high cost universal support. Reverse auction is a type of auction in which the role of the buyer and seller are reversed, with the primary objective to drive purchase prices down toward cost. Competing carriers would vie for the right to receive universal service high cost support. The comments support efforts to stabilize and maintain the USF, but suggest the reverse auction process is not a reasonable solution due to many logistical and administrative issues. The comments make the following suggestions should the FCC determine the reverse auction process should be implemented: 1. Allow only one USF recipient per study area; 2. Do not guarantee the ILEC will be the automatic recipient in a given area; 3. Award bids for at least five years to encourage investment and competition; 4. Make bidding and compliance technologically neutral; 5. Continue state oversight through a more comprehensive certification process.

Missoula Plan: In October 2006, the MoPSC filed comments on an intercarrier compensation plan proposal called the "Missoula Plan". In its comments, the MoPSC supports an intercarrier compensation regime that is technologically and competitively neutral; is economically sound; maintains appropriate jurisdictional authorities; minimizes the impact on the federal Universal Service Fund; minimizes rate shock to end-users; is achievable, simple and inexpensive to administer and includes proper cost analysis and justification. The Missoula Plan fails to meet most, if not all, of these principles. The comments indicated the Missoula Plan is extremely complex and moves intercarrier compensation rates to a "unified" level in a manner that can only be described as "too much, too fast." In the comments, the MoPSC stated, the Missoula Plan guarantees revenue neutrality by shifting $6 billion in access charge reductions to end-user rates and inappropriately allows carriers to recover lost revenues from sources typically portrayed as "governmentally authorized or allowed." End-user rates are further affected since, under the Missoula Plan, an already unsustainable USF is estimated to increase by approximately 32 percent based on the Missoula Plan's components. The MoPSC stated that many areas of the Missoula Plan remain vague or undeveloped and the cost justification for the Missoula Plan is either flawed or inadequate. Such deficiencies made it difficult to provide full analysis of the Missoula Plan and the affect on the industry and end-users. Finally, the comments point out that the Missoula Plan preempts state authority in many areas and reverses several FCC, state commission and court decisions that are inconsistent with the proponents' positions on issues related to the appropriate application of reciprocal compensation versus access charge compensation. The legal analysis noted the FCC does not have authority to adopt the Missoula Plan because it imposes federal rules in areas that are the subject of direct authority to the states under the Telecommunications Act of 1996 ("Act"). The MoPSC urged the FCC to consider the NARUC Plan previously filed with the FCC in lieu of the Missoula Plan.

Section VII. Expanded Calling Petitions

Expansion of St. Louis Metropolitan Calling Area (MCA): AT&T exchanges (Case No. TO-2005-0141): On October 22, 2006, the St. Louis MCA was expanded by including Beaufort, St. Clair, Union and the Washington exchanges as Tier 5 exchanges. The rate is $32.50 for residential customers and $70.70 for business customers in addition to basic local service and any extended area service (EAS) charges. Customers subscribing to the MCA service will need

to change their telephone number to an MCA-designated telephone number. All other provisions of the MCA plan will apply, including bill-and-keep compensation.

Greenwood becomes a mandatory Kansas City MCA exchange (Case No. TO-2005-0144): Effective in June 2006, the Greenwood exchange became a mandatory MCA exchange in the Kansas City MCA. This change means that all customers in the Greenwood exchange will be considered MCA customers and they will be permitted to call the following customers without incurring a toll charge: (1) all customers in the Kansas City exchange, (2) all customers in the MCA Tier 3 exchanges regardless of whether the called party is an MCA subscriber, and (3) all customers that are recognized as MCA subscribers in the Kansas City MCA Tier 4 and Tier 5 exchanges. The optional MCA charge for Greenwood exchange customers was eliminated. Instead, AT&T Missouri will provide the calling scope to all residential customers in the Greenwood exchange at an effective rate of $15.00 through two charges of $8.79 for basic local service and $6.21 for mandatory EAS. Single line business customers will be charged a combined rate of $33.30 which is comprised of $22.30 for basic local service and $11.00 for mandatory EAS. Although AT&T increased basic business rates by $1.00 since the settlement of this case, business rates in Greenwood were not increased because AT&T offset the basic increase by reducing the mandatory Greenwood EAS rate by $1.00. All Greenwood exchange customers will be permitted to retain their current telephone numbers.

Rockaway Beach Expanded Calling Scope (Case No. TO-2003-0257**):** On June 12, 2006, the OPC voluntarily dismissed its petition for expanded local calling from Rockaway Beach to Branson. This case had been established in January 2003, when the OPC submitted petitions on behalf of citizens and businesses in the Rockaway Beach community. In withdrawing its petition, the OPC stated that CenturyTel's recently introduced $39.99 package of residential-only telephone service "best addresses" the calling needs of the petitioners, even though the service is not offered to business customers.

Modification of the Springfield MCA (Case No. TO-2005-0141): On November 22, 2004, the Office of Public Counsel filed a motion requesting that the Commission modify the Springfield MCA Plan to change the Ozark exchange from an optional Tier 2 exchange to a mandatory Tier 1 exchange. The OPC contended that the Ozark exchange is part of the community of interest with the Springfield metropolitan area. On November 13, 2006, the OPC voluntarily dismissed its request to modify the Springfield MCA plan to include the Ozark exchange as an MCA Tier 1 exchange. The OPC stated that CenturyTel now offers a $44.95 per month calling plan which includes local service, vertical services, voicemail and unlimited nationwide long distance. Based upon response to the offering, the OPC believes the needs of the community of interest are being met. On November 20, 2006, the case was voluntarily dismissed without prejudice and closed.

Section VIII. Price Cap Elections & Rate Changes

No companies elected to become price cap regulated during 2006. Currently, the following companies are price cap regulated: AT&T Missouri, Inc., Embarq, CenturyTel, Spectra, and Windstream.

Price Cap Rate Changes

Sprint Missouri, Inc.: Tariff No. JI-2006-0423 increased the rate for certain non-basic services up to the five percent allowed by the price cap law; decreased the rate for residential and/or business basic local service by the Consumer Price Index-Telecommunications Services (CPI-TS) percentage in exchanges where price cap regulation still applies (i.e., exchanges that have not had residential and/or business local service classified as competitive, respectively); and introduced different rates for some services in competitive exchanges. Tariff number JI-2006-0424 adjusted switched access rates downward by the CPI-TS percentage. This was accomplished by aggregating the total amount of the decrease across all switched access rates, and then applying that amount to the Carrier Common Line (CCL) charge.

CenturyTel of Missouri: Case Nos. IE-2007-0077 and IT-2007-0089; Tariff Nos. JI-2007-0090, YI-2007-0118 and YI-2007-0119: On August 16, 2006, CenturyTel submitted tariff revisions to change certain residential and business non-basic service rates pursuant to Section 392.245.11. Also, on August 16, 2006, CenturyTel filed a proposed Request for Waiver as outlined in Section 392.245.4(1)(a) where CenturyTel proposed to use a negative CPI-TS adjustment to change the MCA service rates for the Ozark exchange in lieu of adjusting exchange access and basic service rates. On August 22, 2006, CenturyTel filed a Notice of Voluntary Dismissal and Withdrawal of tariff filed August 16, 2006, in Case No. IE-2007-0077 and made three separate tariff filings to effectuate the change in the CPI-TS as outlined below:

1. JI-2007-0090 adjusting non-basic charges and reflecting the negative CPI-TS component for certain basic local rates.

2. YI-2007-0118 to effectuate the remaining CPI-TS reductions to basic local telecommunications services rates.

3. YI-2007-0119 to effectuate the CPI-TS reductions to exchange access rates.

The tariff filings reflect a CPI-TS adjustment of negative 0.1578%. CenturyTel also submitted a Motion for Expedited Treatment for all the tariff filings to go into effect on October 1, 2006. The motion for expedited treatment was assigned Case No. IT-2007-0089. The Commission issued an order approving the expedited tariffs on September 21, 2006.

Spectra Communications: Tariff File Nos. JI-2007-0025 and -0026 adjusted basic service rates in noncompetitively classified exchanges downward by the annual CPI-TS percentage (.1578%); increased the rate for certain nonbasic services up to 5%, including vertical services (such as Call Block or 3-way calling) and bundles of vertical services; changed the classification of the Winona exchange from rate group A-2 to rate group A-1, resulting in Winona residential and business basic local customers paying a lower monthly rate. The tariffs became effective September 1, 2006.

Windstream: (Case No. IO-2006-0112 and Tariff No. JI-2007-0297) On September 15, 2006, Windstream notified the Commission it would not propose increasing the maximum allowable prices for exchange access and basic services rates by the change in the CPI-TS, 0.2284%. Windstream also indicated it would not carry-forward or “bank” the increase. Windstream

proposed to increase non-basic service rates for individual custom calling features, directory listing charges and custom calling packages by up to 5% pursuant to Section 392.245 RSMo 2005. The increase became effective on December 1, 2006.

AT&T Missouri: (Tariff Nos. JI-2007-0250, 0251, 0252 and 0253) On October 17, 2006, AT&T filed tariffs to increase switched access rates and "maximum allowed" rates for basic services and EAS by .023%. Only the switched access rates were actually increased in this filing.

Section X. Formal Complaints

Staff vs. Cass County Telephone Company: Case No. TC-2005-0357 is the Commission Staff's complaint against Cass County Telephone Company. A stipulation was ultimately reached whereby Cass County admitted Ken Matzdorff caused false entries in the books of Cass County Telephone Company. In addition, Cass County admitted Ken Matzdorff gave false or misleading testimony to the Commission while under oath in Case No. IR-2004-0534. The complaint was settled by Cass County Telephone Company making a $1,000,000 payment to the Public School Fund. This case was part of a package of three cases. See also, Case No. IR-2006-0374 (whereas the company agreed to reduce revenues by $4.1 million) and Case No. TM-2006-0306 (whereas FairPoint purchased Cass County Telephone Company). These other two cases are described in the Rate Case section and the Merger & Other Financial Transaction section of this report. FairPoint officially replaced Cass County Telephone Company as the incumbent local telephone company on July 26, 2006. (For additional information on the transfer see discussion under Federal Activity section of this report.)

Staff vs. New Florence Telephone Company: Case No. TC-2006-0184 is the Commission Staff's complaint against New Florence Telephone Company. Originally filed on October 24, 2005, Staff alleged, among other things, that LEC, LLC, one of the owners of the company, charged New Florence fees for administrative and managerial services that exceeded the costs of those services and that New Florence inflated the cost of a new switch and inflated other expenses. As a result of discussions, Staff, the Office of the Public Counsel and New Florence entered a Stipulation and Agreement, New Florence agreed to make a payment to the Public School Fund in the amount of $100,000 in settlement of the matters alleged in Staff's Complaint. The stipulation and agreement also provided that Staff will recommend to the Commission that New Florence, or its new owners, be certified for receipt of federal Universal Service Fund disbursements, if Staff finds that the company's management is independent and has no relationship or ties to current owners. To address concerns about overearning by the company, the stipulation and agreement requires New Florence, or its successor, to issue a credit of $50 per access line to each customer of New Florence on December 29, 2006. The Commission approved the Stipulation and Agreement on July 27, 2006. See also Case No. TO-2007-0139 as described in the Merger & Other Financial Transaction section of this report whereby on October 2, 2006, New Florence, Tiger Telephone, Inc. and Direct Communications Rockland, Inc. (DCR) filed a joint application requesting the Commission issue an order authorizing DCR to purchase or acquire all issued and outstanding capital stock of Tiger Telephone, Inc. The company name, services and tariffs of New Florence Telephone Company will remain in effect if the transfer is approved.

R. Mark vs. AT&T Missouri, Inc. (Case No. TC-2006-0354): On March 15, 2006, R. Mark alleged that AT&T was improperly imposing a non-published directory listing charge for a data line. The Commission ultimately dismissed the case on October 31, 2006, after R. Mark failed to respond to the Commission's order compelling R. Mark to respond to certain AT&T data requests.

Staff vs. Comcast IP Phone, LLC (Case No. TC-2007-0111): On September 21, 2006, the Commission Staff filed a complaint against Comcast IP Phone, LLC for providing a telecommunications service without proper authorization from the Missouri Commission. Comcast IP Phone, LLC is affiliated with Comcast the cable TV company and essentially claims the Missouri Commission lacks jurisdiction over its services. The company provides a voice over the Internet Protocol (VoIP) service that the company claims should not fall under state regulation. The case is pending.

Veterans Travel Service vs. AT&T (Case No. TC-2006-0348): The 800 number assigned to Veterans Travel Service is similar to the 800 number assigned to Wal-Mart's calling card service. The case was ultimately dismissed on grounds a complaint cannot be brought by a corporation unless the corporation is represented by a Missouri attorney.

Guy Gilbert vs. MCI/Verizon (Case No. TC-2006-0401): On April 14, 2006, Guy Gilbert, a Missouri PSC Staff member, filed a complaint against Verizon/MCI regarding the company's application of an $8.00 monthly charge in order to receive a paper bill. Mr. Gilbert claimed the company informed him in September 2005 that he would receive a paper bill at no charge. Mr. Gilbert ultimately withdrew his complaint citing that he had settled the complaint with the company.

Section XI. Telecommunications Quality of Service

Reviews of how a company compiles its quarterly quality of service reports: The primary purpose of this review is to confirm telephone companies are accurately tracking and tabulating quality of service report information as well as complying with certain Chapter 33 requirements. Feedback is provided to each company. During 2006, Larry Henderson and Mick Johnson conducted such reviews for the following companies: Alltel (January 18), Charter Communications (March 16), Mid-Missouri Telephone Company (July 11), and Steelville Telephone Company (August 23).

Inspection of company facilities: The primary purpose of this review is to confirm that facility-based telephone companies are designing, constructing and operating in accordance to the prescribed standards in Commission rules 4 CSR 240-32.060 and 4 CSR 240-18.010. These standards establish minimum requirements for voice quality. They also require companies to construct, remove and maintain facilities in a manner that provides a safe environment for their consumers, their employees and the general public. Larry Henderson and Mick Johnson conducted a random review for USF certification on July 11 and 12 of Mo-Kan Dial Telephone Company's facilities. They also conducted this review on Mid Missouri Telephone facilities on July 18, 19, and 20 and Steelville on August 14, 15 and 16. Feedback is provided to each company. Contents of the feedback may require corrective action by the company and require the company to submit a plan that will correct deviations found.

Overall Quality of Service Results: The following information is based on the 2006quarterly quality of service results for all companies providing basic local telephone service:

95.47% of basic local service requests were installed within 5 days.

97% of installation commitments were met.

99% of all attempted calls were completed without a problem.

Only 1.86% of consumers experience a service problem on an average day.

64% of trouble reports pertain to an out-of-service condition.

90.34% of out-of-service conditions are restored within 24 hours.

91.82% of commitments to address a trouble report were met.

Bonding and Grounding: At Staff's request, the Missouri Telecommunications Industry Association (MTIA) hosted a two-day bonding and grounding seminar March 22 and 23, 2006, in Columbia. The training seminar was presented by Senior Technical Advisor, Keith Brandt of Communications Solutions Inc. The theme of the training was proper bonding and grounding of telecommunications facilities. Staff has also been contacted by various companies to help investigate and resolve bonding and grounding issues.

Section XII. Rulemaking Activity

Completed rulemakings:

Eligible Telecommunications Carrier Rule (TX-2006-0169): The rulemaking establishes criteria for requests by carriers to be designated as an eligible telecommunications carrier authorized to receive federal universal service funds. The rule also establishes criteria for carriers that receive designation as eligible telecommunications carriers to provide the Commission with information and documentation for annual certification so the carriers receive USF funds. A public hearing was held in January 2006. This is the first rulemaking the Commission was required to submit to the Joint Committee on Administrative Rules (JCAR) based on legislative changes in 2005. The final order of rulemaking was submitted to JCAR on March 6 and to the Secretary of State of April 7, 2006. The rule became effective June 30, 2006, and creates a new 4 CSR 240-3.570.

One day tariff filing (TX-2006-0429): The proposed rulemaking modifies 4 CSR 240-3.545(16) to recognize rate decreases are allowed through a tariff filing with a one day effective date consistent with Section 392.500 as modified by SB 237, effective August 2005. A public hearing was held July 20, 2006, and the final order of rulemaking became effective at the end of 2006.

<u>Proposed/pending rulemakings:</u>

Thousands-block number pooling (Case No. TX-2007-0086): The Commission was granted delegated authority by the FCC to implement mandatory thousands-block number pooling in the 417, 573, 636 and 660 area codes. Staff provided a copy of the draft rulemaking to wireline and wireless carriers and held a workshop on September 7, 2006, to discuss suggestions and concerns on the rulemaking. Staff considered suggested changes in finalizing a draft proposed rulemaking. The proposed rulemaking establishes timeframes and guidelines for implementing pooling and number conservation efforts. The rule creates a new Chapter 37 and was approved by the Commission in December 2006. The rule became effective on March 30, 2007.

<u>Waiver requests of Commission rules:</u>

AT&T waiver request of Enhanced Records Exchange rule (Case No. TE-2006-0053): In July 2005, the Commission granted AT&T a temporary waiver of 4 CSR 240-29.040(4) regarding the issue of whether a wireless caller's telephone number should be included in Category 11 records. In May 2006, the Commission issued an Order Clarifying Rule that basically clarifies Category 11 records do not need to include a wireless caller's telephone number.

Mediacom's waiver request of 4 CSR 240-32.080(5)(A) (Case No. TE-2006-0415): On April 25, 2006, Mediacom applied for a waiver of this rule. Essentially Mediacom claims it is unable to comply with this rule because it forwards service orders on to Sprint for completion. A hearing was held in January 2007.

Section XIII. Telephone Numbers

Status of exhaustion of telephone numbers for Missouri area codes

Missouri's area codes are projected to exhaust all available telephone numbers at the following time periods:

Area Code	Projected Date of Telephone Number Exhaustion*
314	2nd quarter of 2014
417	1st quarter of 2011
573	2nd quarter of 2011
636	2nd quarter of 2025
660	2nd quarter of 2015
816	3rd quarter of 2015

*Forecast as approved by the FCC in 2006. Relief planning generally starts three years prior to exhaustion date.

Small local telephone company obligations for local number portability (Case No. TO-2004-0459 et al): In 2003 and 2004, the FCC issued orders requiring local exchange carriers to port telephone numbers to wireless carriers. The federal requirements to port to wireless carriers were later reversed by the DC Circuit Court. In response to the FCC's orders, and prior to the

reversal, Missouri rural ILECs requested the Commission grant waivers and/or suspensions of the federal porting requirements. In 2004, the Commission granted the waivers/suspensions for up to 2 years. Since these waivers/suspensions began expiring in 2006, the rural ILECs filed motions with the Commission explaining the status of the federal porting requirements. The Commission, recognizing the mandate that carriers port numbers upon receipt of a bona fide request from a competitor, required the rural ILECs to file a status update with the Commission within 30 days of receipt of the bona fide request.

Number pooling authority: In March 2005, the Commission filed a petition with the FCC seeking delegated authority to implement mandatory thousands block number pooling in the 417, 573, 636 and 660 area codes for the State of Missouri. The FCC received comments from the Ohio Commission supporting the Commission's request. The petition was granted effective March 2006; therefore, telephone numbers will be distributed to carriers in blocks of 1,000 telephone numbers rather than a block of 10,000 numbers.

<u>Special Numbering-related Requests for the Missouri Commission:</u>

Case No. TO-2006-0335: AT&T's request for an additional six consecutive blocks of 1,000 numbers in the Kansas City rate center to serve the needs of the Internal Revenue Service.

Case No. TO-2006-0336: Established when AT&T requested the Commission override a decision of the Pooling Administrator denying AT&T's request for MCA codes to be used in Union and Beaufort. Because of the MCA "return call feature" segregated NXX codes are required for Missouri's MCA service to be offered in optional MCA areas. These exchange areas had been recently included in the expanded St. Louis MCA as part of Case No. TO-2005-0141.

Case No. TO-2006-0367: The Commission approved a staff recommendation to override a decision by NeuStar which denied MCI's request for two additional blocks of 1,000 numbers to serve a customer in the St. Louis rate center. In granting the request, the Commission found that MCI had met a verifiable need to grant the request.

Case No. IO-2006-0428: Century Tel requested the Commission to override a decision by NeuStar which denied Century Tel's request for additional numbering resources in the Dardenne rate center.

Section XIV. Universal Service Funds

<u>Missouri Universal Service Fund</u>

The Missouri Universal Service Fund (USF) is administered by the Missouri Universal Service Board (Board) comprised of the five commissioners and the Public Counsel of the Office of the Public Counsel. During 2006, the Board met periodically to address and review issues related to the Missouri USF. These meetings consisted of review of fund financial statements, approval of carriers eligible to receive disbursements, approval of fund administrator invoices and other issues that periodically arose. Currently the Missouri USF solely provides funding for discounts

to qualifying low income and disabled customers. There are approximately 60,000 low income/disabled subscribers in Missouri receiving support.

Extended USF administrator contract: The fund administrator is responsible for keeping the books and records related to the administration and operation of the Low Income/Disabled Missouri USF. QSI Consulting, Inc. was awarded a two-year contract (July 2004-July 2006) to serve as the MoUSF Fund Administrator. In 2006, the Board released a Request for Proposal seeking bids for a new fund administrator; however, the Board ultimately decided to exercise a one year renewal option for QSI Consulting, Inc. to be retained as the fund administrator.

Independent audit: In May 2006, the Board accepted the bid proposal by McBride, Lock & Associates as an independent auditor to fulfill the requirements of Section 392.248, which provides that the Board shall cause the books and records of the universal service fund administrator to be independently audited on an annual basis. McBride, Lock & Associates submitted their independent auditor recommendations to the Board on October 27, 2006. The Board is considering solutions to the various audit recommendations.

Federal Universal Service Fund

Low income outreach: On January 10, 2006, the FCC issued a public notice (DA 06-41) seeking information on effective outreach to low-income consumers. Staff sought feedback from Missouri carriers as to the methods of outreach utilized to advertise and discuss the availability of state and federal lifeline and link-up programs and the ability to gauge effective outreach. Carriers advertise through the following means: Public service announcements; newspaper advertisements and press releases (English and Spanish); printed materials to social service agencies and community meal sites (English and Spanish); company websites; bill messages; state and local officials, as feasible; telephone directories; presentations to interested groups of citizens; customer services representatives have scripted information; printed materials in retail stores; radio advertising; new customer packets/new service contacts; contact with customers having trouble paying telephone bill; include information in "Free Lunch" packets that go home with school children; printed materials in company office (English and Spanish); community bulletin boards (English and Spanish); monthly telephone newsletter; posters in post offices, local elementary and high schools; mailer to subscribers. Most carriers indicated it was not possible to specifically gauge the success of outreach initiatives, but that subscribership levels in the federal and state programs continue to increase.

Eligible Telecommunication Carrier (ETC) Requests

Mid Missouri Cellular (Case No. TO-2005-0235): This case was initially opened with an application filed by Mid Missouri Cellular (MMC) on March 25, 2005. With three rounds of testimony filed and a hearing date fast approaching, MMC filed to request the hearing date be changed due to illness of one of its witnesses. The Commission granted this request. MMC ultimately filed to have the evidentiary hearing cancelled due to a pending offer to purchase MMC. On February 28, 2006, MMC filed that the company had been sold and that the case could be closed. On March 7, 2006, the Commission closed this case.

Mark Twain "Nunc Pro Tunc" (Case No. TO-2006-0100): On August 31, 2005, Mark Twain Communications Company (Mark Twain CLEC), a CLEC filed an application for a "nunc pro tunc" correction of the original Commission order granting ETC status. The concern was that the original Commission order granting ETC status to Mark Twain CLEC did not specifically name the exchanges in which Mark Twain CLEC was an ETC. After much discussion between various parties, a Stipulation and Agreement was filed. On January 19, 2006, the Commission issued an order granting Mark Twain CLEC's application, redefining the study area of the underlying ILEC, Spectra Communications, by naming the three exchanges of Ewing, LaBelle, and Lewistown as a separate study area, and authorizing Mark Twain CLEC to file the instant order with the FCC to seek approval of the redefinition.

Nexus Communications, Inc. d/b/a TSI (Case No. CA-2006-0282): On December 30, 2005, TSI filed an application requesting ETC designation in all areas served by AT&T. On January 27, 2006, OPC filed a motion requesting the application be dismissed due to the applicant allegedly not providing USF supported services or to have the matter set for hearing. On April 7, 2006, the Commission ordered TSI to show cause as to why its application should not be dismissed. On April 14, 2006, TSI voluntarily withdrew the application.

Northwest Missouri Cellular Limited Partnership d/b/a Northwest Missouri Cellular (Case No. TO-2005-0466): Northwest Missouri Cellular (NWMC) filed an Application for ETC designation on June 3, 2005. The original procedural schedule was cancelled due to witness illness. A new procedural schedule was established with a hearing held on May 31, 2006. On September 21, 2006, the Commission approved NWMC's request.

Missouri RSA No. 5 Partnership d/b/a MO5 (Case No. TO-2006-0172): MO5 (Also known as Chariton Valley Wireless) filed an Application requesting ETC designation on October 18, 2005. A hearing was held on June 22, 2006. On September 21, 2006, the Commission approved NWMC's request.

VCI Company (Case No. CO-2006-0464): On June 9,2006, VCI Company, a CLEC, filed its petition seeking designation as an ETC. VCI is only seeking low income support reimbursement and is not seeking high cost recovery. A procedural schedule has been established for 2007.

US Cellular (Case No. TO-2005-0384): US Cellular originally filed an application for ETC status on April 22, 2005. Three rounds of testimony were filed and a hearing was held beginning on October 26, 2005. On March 21, 2006, the Commission ordered US Cellular to file additional information to demonstrate compliance with portions of Missouri's recently adopted ETC rulemaking. On August 11, 2006, US Cellular made a "compliance filing" in response to the Commission's order. A second hearing was held beginning on December 18, 2006.

Annual federal USF authorization: The commission is required to certify, by October 1 of each year, that carriers use their federal universal service high cost support for the provision, maintenance and upgrade of facilities. To facilitate the Commission's certification, carriers submit spreadsheets documenting USF-related expenses compared to USF receipts and an affidavit attesting to the use of the funds. In 2006, Staff also requested each carrier submit a brief narrative outlining the supported expenses that were incurred in the analysis year. For instance, the narrative might be a paragraph describing investment for specific equipment

upgrades, describing investment for installing fiber or describing the expenses related to USF support as being incurred for the on-going maintenance of the network. Staff also conducted an audit of three carriers receiving high cost support. These carriers were Mo-Kan Dial Telephone Company, Mid Missouri Telephone and Steelville Telephone Exchange, Inc. Audits included a review of the company books, a quality of service review and a management review. Feedback was provided to each company. Corrective action and a plan of correction were pursued when deviations from Commission rules were discovered.

Section XV. Relay Missouri

Sprint Relay Invoice Adjustments: On November 30, 2006, Staff received notification from Sprint indicating it had discovered and was investigating an irregularity in its billing of interstate busy or interstate not answered minutes (BRNA) to the federal and state governments. Sprint determined that it had been billing Missouri for BRNA from June 2000 through October 2006. Sprint refunded $137,277.86, as a credit in the April 2006 invoice. Staff reviewed its records, dating from July 1999 and verified the credit applied by Sprint.

Request for Proposals and Subsequent Bids and Contract: In April 2006, the Commission issued an RFP for Relay Missouri before deciding whether to extend Sprint's relay contract. Bids were received from Verizon, Hamilton and Sprint. The bid evaluation committee, comprised of Dan Joyce, Robert Boone, Walt Cecil and John Stobbart, the buyer for the Office of Administration, determined the bids were noncompliant. The committee recommended the Commission renew the existing contract. The Commission renewed Sprint's existing contract on June 6, 2006.

Surcharge Analysis: In November 2005, Staff began forecasting relay expenses and surcharge revenues to determine whether the TRS and captioned telephone usage, and the equipment distribution program expenses would impact the relay fund to the point that a change in the surcharge became necessary. As of December 2006, the combined total usage of TRS is declining faster than the number of lines against which the relay surcharge is imposed. In CY 2006, surcharge revenues of $4,997,997.07 were collected, TRS and CapTel usage was about 2,612,430 minutes and 450,224, respectively and the relay fund balance varied between a low of $1,808,585.86, in February, and a high of $2,461,162.31 in August 2006. In CY 2006, Sprint charged $2,756,275.85 to provide Relay Missouri services.

Captioned Telephone: In January 2006, the equipment distribution program administrator identified approximately 40 phones as candidates for possible discontinuance of captioning services. The administrator made several attempts to contact the candidates and the Commission ultimately notified Sprint to discontinue captioning to 16 CapTel phones.

Change in hours-of-operation at Sprint's TRS center in Independence: In May 2005, Sprint requested the Commission allow it to reduce the hours of operation at its Independence call center to 8-5 Monday through Friday. Staff approached the Commission with Sprint's request and the Commission declined approval of Sprint's request. On June 28, 2006, Sprint sent a letter to formally notify the Commission it would be changing the hours of operations at the Independence call center.

Relay Missouri Advisory Committee: This committee has 14 members comprised of six permanent members and eight non-permanent members. Permanent members include the relay service provider; two members of the Commission, Walt Cecil and Mike Scheperle; the Public Counsel; a member of the Missouri Commission for the Deaf and an MTIA representative. The eight non-permanent members include two members from the deaf community and a member from each of the following: the late-deafened community; the hard-of-hearing community; the speech-impaired community; the hearing community; a speech pathologist or audiologist; and one other member. New members in 2006 included Vicki Watson-Walker (hearing community), Jeffrey Prail (other) and Stephen Foster (deaf community). Resignations in 2006 included Vicki-Watson Walker, Sonia Torres (deaf community) and Dick Hosty (speech-impaired community). Tracy Mishler (speech pathologist or audiologist) and George Joslin (late-deafened community) were reappointed to additional three year terms in 2006.

Section XVI. Arbitration/Wholesale Disputes

Arbitration Cases:

Small Local Telephone Companies & T-Mobile, Cingular (Case No. TO-2006-0147 & TO-2006-0151): On October 4, 2005, several small ILECs filed petitions for arbitration of interconnection agreements. The Commission appointed Natelle Dietrich, Walt Cecil and Bill Voight as advisory staff. The Commission's March 23, 2006 Arbitration Order determined the appropriate transport and termination rate for wireless to wireline traffic, determined the appropriate inputs for determining small ILEC forward-looking costs, required reciprocal compensation for intraMTA wireline to wireless traffic that is handed off to interexchange carriers, and determined past traffic exchanged between the parties was not subject to the arbitration.

Small ILECs & Alltel Wireless (Case No. TO-2006-0463): On June 7, 2006, several small ILECs petitioned for arbitration of interconnection agreements between the ILECs and Alltel Wireless under the terms of the Federal Telecommunications Act of 1996. The parties filed a disputed, proposed interconnection agreement. The parties disagreed numerous facets which will determine the ultimate rates and policies by and under which traffic will be exchanged. The Commission appointed Natelle Dietrich and Walt Cecil as advisory staff. The parties reached agreement and the arbitration was dismissed.

CenturyTel & Socket (Case No. TO-2006-0299): Socket Telecom, LLC (Socket) filed a Petition for Arbitration with CenturyTel and Spectra (collectively referred to as CenturyTel) on January 13, 2006. Judge Kennard Jones was appointed by the Commission as the Arbitrator and Natelle Dietrich, Mike Scheperle, Adam McKinnie, and Larry Henderson were appointed as arbitration staff. The Arbitrator's Initial Report was filed on May 18, 2006, and the Commission issued its final Arbitration Decision on June 27, 2006. Some highlights of the arbitration decision include:

- The Commission ordered CenturyTel to make its ordering function more mechanized, indicating CenturyTel, in a future proceeding, could seek to recover costs associated with modernizing its systems.
- The Commission found Performance Measures should be included in the interconnection agreements, with remedies needing to be "established and enforced."

- The Commission found a single point of interconnection (POI) is acceptable where technically feasible, and established guidelines for establishing additional POIs.
- The Commission found Socket should designate the location of the POI.
- The Commission directed CenturyTel to complete an internal review for billing accuracy prior to rendering a bill.
- The Commission determined "bill and keep" will apply to virtual NXX traffic.
- The Commission determined indirect interconnection should be allowed.
- The Commission determined "transiting" is a Section 251 obligation, and rates, terms, and conditions for transit traffic should be included in an interconnection agreement
- The Commission determined CenturyTel is required to provide two way trunking upon request by Socket, if feasible.
- The Commission determined it was appropriate to provide Local Number Portability for numbers under a Remote Call Forwarding arrangement.

Wholesale-related Disputes:

FullTel vs. CenturyTel (Case No. TC-2006-0068): On August 8, 2005, Fulltel, Inc. filed a complaint against CenturyTel of Missouri, LLC for enforcement of an interconnection agreement between the two companies. The complaint essentially centered around issues involving collocation methodology, single point of interconnection issues, and compensation issues involving Internet bound traiffic. In its Complaint, FullTel asked for and was granted a Motion for Expedited Treatment. CenturyTel objected to FullTel's complaint on the basis that the traffic FullTel intended to exchange was non-local and did not fall within the definition of telephone exchange service. An evidentiary hearing was held on March 10, 2006, and on June 15, 2006, the Commission issued a Report and Order directing CenturyTel "to take whatever steps are necessary to effect its interconnection with FullTel…" and directing FullTel to "file a notice when such interconnection is complete." This case was closed on December 27, 2006.

Issues involving use of the intraLATA network to transport and terminate dial-up Internet bound calls: In early 2006, the Staff was called upon to investigate complaints from Internet service providers who discovered that a portion of their dial-up Internet-bound traffic was being disrupted. It was reported to the Staff that the disruptions could potentially involve many thousands of end users. Upon inquiry, the Staff discovered that the method being employed to transmit such Internet-bound traffic resulted in the non-payment of exchange access charges normally applied to toll calls. Essentially, the Staff discovered that some Internet service providers were attempting to use the long distance telephone network to connect users to the Internet. By acting as a Responsible Originating Party, electronic changes were being made to the 800 database which resulted in toll-free 800 telephone numbers being routed to local exchange carriers over the intraLATA network. Customarily, such traffic is first routed to long distance carriers. Such method of call delivery appeared to be directed primarily to the networks of competitive local exchange carriers. Upon discovery of the apparent attempt to avoid payment of terminating access charges to certain competitive local exchange carries, the affected carriers instituted methods to block the unauthorized traffic. Ultimately, the situation appears to have worked itself out as other Internet service providers were able to provide "local" dial-up Internet connections without the use of toll-free "800" telephone numbers. The Staff is unaware of any lasting effects of the initial service disruptions.

Investigation of Non-impaired Wire Centers (Case No. TO-2006-0360): On March 17, 2006, Nuvox filed an application for an investigation into the wire centers that AT&T Missouri asserts are non-impaired under the FCC's Triennial Review orders. Essentially the case centers on whether wire centers meet qualifying criteria for having a certain number of business access lines and/or fiber-based collocators. If the criteria is met, AT&T is no longer required to offer inter-office transport or loops as unbundled network elements. Stated differently, CLECs are not impaired without unbundled access to such facilities since competitive alternatives for these facilities should exist. Nuvox has requested verification the criteria has actually been met for the non-impaired wire centers identified by AT&T. The case is still pending.

Certain small LECs vs. T-Mobile (Case No. TC-2002-57): On March 27, 2006, Petitioners, Alma Communications Company, Chariton Valley Telephone Corporation and Northeast Missouri Rural Telephone Company voluntarily dismissed this case by filing a Notice of Dismissal. The Petitioners and T-Mobile USA Inc. entered into and effectuated a Settlement Agreement which provides the complaints of Petitioners pending against T-Mobile be dismissed. By a March 31, 2006 Order of Commission, this case was dismissed and closed.

Mid-Missouri Telephone Company vs. T-Mobile (Case No. TC-2006-0127): On March 27, 2006, Petitioner, Mid-Missouri Telephone Company voluntarily dismissed this case by filing a Notice of Dismissal. The Petitioner and T-Mobile USA Inc. entered into and effectuated a Settlement Agreement which provides the complaint of Petitioner pending against T-Mobile be dismissed. By a March 31, 2006 Order of Commission, this case was dismissed and closed.

Socket Telecom, LLC vs. MCI Communications Services, Inc. d/b/a Verizon Business Services (Case No. TC-2006-0479): On June 15, 2006, Socket Telecom, LLC, filed a complaint against MCI Communications Services, d/b/a Verizon Business Services. Socket's complaint describes a billing dispute relating to three dedicated private line circuits that it leases from Verizon for approximately $115,000. The parties ultimately resolved their differences and the case was dismissed.

Big River Company, LLC vs. AT&T (Case No. TC-2007-0085): On August 23, 2006, Big River filed a complaint against AT&T alleging that AT&T had charged Big River amounts for local switching and loops beyond the rates set forth in the Commission-approved arbitrated interconnection agreement. AT&T filed a motion to dismiss asserting a recent federal court order ruled the Commission had no jurisdiction to impose Section 271 unbundling requirements upon AT&T in an arbitration proceeding, and therefore, had no authority to grant Big River the relief it requested. Awaiting Commission action.

Section XVII. Appeals

Time Warner Cable's Digital Phone Service (Case No. LT-2006-0162): Time Warner Cable submitted a tariff filing proposing to remove its VoIP-based service, Digital Phone Service, from its tariff. The Staff filed a motion to suspend and the Commission ultimately rejected the tariff filing. The Commission held that the FCC's Vonage Order did not exempt Time Warner Cable's telecommunications services from the jurisdiction of the Commission. Time Warner Cable filed a petition for review with the Cole County Circuit Court.

M2A Successor Agreements: In Case No. TO-2005-0336, the Commission arbitrated unresolved issues for successor agreements to the Missouri 271 Agreement. SBC Missouri appealed to the federal District Court for the Eastern District of Missouri. SBC Missouri argued that the Commission's Arbitration Order conflicts with the FCC's Order on Remand. The District Court held that the Commission lacks jurisdiction to order Section 271 unbundling obligations to be included as part of a Section 252 arbitration; but the Court affirmed the Arbitration Order's determination that CLECs are entitled to entrance facilities under Section 252 (c)(2). The CLECs, the Commission, and SBC Missouri appealed to the Eighth Circuit Court of Appeals. The case has been briefed.

T-Mobile/Small ILEC Arbitration (Alma Arbitration): In Case No. IO-2005-0468, the Commission's Arbitration Report resolved issues between T-Mobile and the following small incumbent local exchange companies: Alma Telephone Company, Northeast Missouri Rural Telephone Company, Mid-Missouri Telephone Company, and Chariton Valley Telephone Corporation. The small ILECs appealed to the federal District Court for the Western District of Missouri. The small ILECs argue that the Arbitration Report unlawfully applies reciprocal compensation to interexchange traffic. The District Court affirmed the Commission. The small ILECs appealed to the Eighth Circuit Court of Appeals. The case has been briefed and argued.

Sprint Price Cap Rebalancing for 2001, 2002, and 2003: In Case No. TR-2002-251, the Commission approved Sprint's 2001 rate rebalancing under Section 392.245.9 RSMo, the price cap statute. OPC petitioned for judicial review. The Cole County Circuit Court affirmed the Commission's decision. OPC appealed to the Western District of the Missouri Court of Appeals. The Western District reversed and remanded to the Commission to make findings of fact. The Commission issued an order on remand which again approved Sprint's rate rebalancing. OPC again petitioned for judicial review. While Case No. TR-2002-251 was winding its way through the courts, the Commission approved Sprint's 2002 and 2003 rebalancing of rates in Case Nos. IT-2003-0166, *et al.*, and IT-2004-0134, *et al.* OPC also petitioned for judicial review of the Commission's order in both of these cases. After the Commission's 2001 order was remanded by the Court of Appeals, the Circuit Court remanded the Commission's orders in the 2002 and 2003 cases for findings of fact to be consistent with the requirements of finding of fact to be made in the remand of Case No. TR-2002-251. The Commission issued orders on remand in the 2002 and 2003 cases. OPC again petitioned for judicial review. Because the 2002 and 2003 rebalancing of rates were based upon the record and findings in the 2001 rebalancing, the three Circuit Court reviews were consolidated. The Circuit Court affirmed the Commission's orders on remand in the three cases. OPC appealed to the Western District of the Missouri Court of Appeals. The Western District held that to the extent its previous opinion required the Commission to issue findings of fact in a noncontested case, the Court erred. The Western District held that the Commission's orders on remand were lawful, and affirmed.

Intrastate Access Recovery charge: In Case Nos. TT-2002-129 (for AT&T Communications of the Southwest), TT-2002-1136 (for Sprint Communications Company, L.P.), and XT-2003-0047 (for MCI WorldCom Communications Inc.), the Commission approved tariff sheets that were filed by each competitive telecommunications company to create a charge characterized as an "In-State Access Recovery Fee," an "In-State Connection Fee," or an "In-State Access Recovery Charge" of approximately $2.00 on their customers' monthly bills. In each case, the OPC

petitioned for judicial review and the Cole County Circuit Court affirmed the Commission's decisions. The Western District Court of Appeals reviewed the Commission's decisions in a consolidated proceeding and in Case No. WD63133 (consolidated with WD63134 and WD63135), determined that regardless of whether a case is contested or uncontested, the Commission must place its decision in writing, and must include findings of fact and conclusions of law that permit review. The Court remanded the cases to the Commission because the findings of fact were either inadequate or nonexistent, in that the Commission did not address many of the points raised by OPC and that the Court was simply unable to determine how the Commission arrived at its conclusion that the proposed tariff revisions were just and reasonable. On remand to the Commission, the parties submitted a new record and the Commission, relying upon that new record, again declined to reject the tariff sheets establishing the surcharges. Additional cases have been consolidated with the initial group, where companies have sought to increase the initial surcharge. The Commission considered the anti-discrimination provisions of Sections 392.200.2 and 392.200.3, and found that the surcharges were not unduly discriminatory against low volume long distance, residential, or rural customers. OPC appealed the case to the Cole County Circuit Court in Case No. 06AC-CC00080, and on March 8, 2007, the Circuit Court affirmed the Commission's decision. OPC may appeal to the Court of Appeals. The deadline to file an appeal is April 17, 2007.

Section XVIII. Tariffs, Certificates, Interconnection Agreements and Applications

Time Warner's detariffing proposal (Case No. LT-2006-0162): Time Warner proposed to detariff its basic local service offering. Time Warner made the proposal as a result of the FCC's Vonage decision whereby the FCC pre-empted state authority over Vonage's service. The Missouri Commission ultimately rejected Time Warner's proposal.

AT&T's removal of wireless termination tariff: AT&T's tariff submittal JI-2006-0623 removed services and rates in P.S.C. Mo. 40 which had imposed tariffed charges on wireless carriers for call termination in the absence of interconnection agreements. Pursuant to FCC Docket No. 01-92, incumbent local exchange carriers were prohibited on a going-forward basis from imposing such charges. The tariff sheets became effective on March 13, 2006.

Rejection of promotion filed on one day's notice: With the concurrence of the Staff, AT&T's Tariff File No. JI-2006-0641 was rejected by the Adjudication Division because it was filed on one-day notice to the Commission, in contravention of Commission rule 4 CSR 240-3.545(19) . AT&T objected to the rejection, and requested the Commission issue an order granting expedited review, thus causing Case No. TO-2006-0334 to be docketed. Among other matters, AT&T contended that its original tariff filing was made pursuant to 392.500(1), and thus was permissible pursuant to legislation permitting rate decreases on one-day notice to the Commission. On March 1, 2006, the Commission denied AT&T's Motion for Expedited Review, and the original filing remained rejected. On March 2, 2006, AT&T refiled its promotion, this time with the proper 7-days notice, and the filing went into effect on March 8, 2006.

CenturyTel's unlimited long distance calling promotion: With Tariff File Numbers JI-2006-0712, 0713 & 0714, CenturyTel instituted promotions which geographically deaveraged residential telephone local exchange rates in 73 of its 205 Missouri telephone exchanges. The

sign-up period for the promotion, called Residential Services Promotion, was offered from April 1 until June 30, 2006. Customers signing up for the promotion received local exchange service, certain custom calling features, and unlimited long distance service for $39.95 per month. Among the affected exchanges are Branson and Rockaway Beach, which had been the focus of calling-scope matters in Case No. TO-2003-0257, and Wright City and Warrenton, which had been the focus of similar matters in Case No. TO-2005-0141. Section 392.200.11 & 12 RSMo permits geographic deaveraging of telephone service in Missouri.

ICB pricing for IXC wholesale services: In Case No. XA-2006-0405, (File No. YX-2006-0786), the staff recommended that the tariff of Toly Digital Networks be permitted to go into effect. The tariff permits customer-specific pricing for interexchange services provided only to other carriers. Toly states that it does not provide service to end users.

Letters to block wireless traffic: On May 15, 2006, the Staff received a copy of a letter from the Small Telephone Company Group (STCG) which alleged non-payment of $2,637,685.94 for wireless traffic delivered to member clients. Pursuant to 4 CSR 240-29.130, the STCG provided notice of its request to the originating tandem provider to block traffic in instances of non-payment for traffic traversing the LEC network. In a similar matter, the Staff received a copy of a letter dated June 12, 2006. The STCG was providing notice that certain wireless originated traffic would be forced into a reroute situation unless outstanding balances of $35,078.47 was paid to competitive local exchange carriers Green Hills Telecommunications Services, and Mark Twain Telecommunications Services.

Shared Tenant Service application: In Case No. ZA-2006-0346, AT&T filed a Motion seeking intervention in the Shared Tenant Services application of Multiband, Inc. On April 7, 2006, the Staff filed a recommendation in which it recommended the Commission approve Multiband's application. On January 8, 2007, a Stipulation and Agreement was filed in which Multiband and AT&T Missouri agreed that Multiband would not use pre-existing facilities at the Jefferson Arms in St. Louis. The Commission granted the Shared Tenant Services Certificate effective February 9, 2007, after AT&T Missouri withdrew its opposition.

Special low MCA rates for certain Embarq exchanges: In Tariff File No. JI-2006-0944, Embarq reduced monthly MCA rates to $3.00 in Ferrelview, Platte City and Kearney, and to $13.00 in Weston. These telephone exchanges are subject to competition from Time Warner Cable. Pursuant to Section 392.500(1), the filing was made effective on one-day's notice to the Commission.

AT&T Missouri, Inc. local rate adjustments: On July 11, 2006, AT&T submitted Tariff File No. JI-2007-0011 in which it proposed to increase rates for residential-only basic local telephone service in all exchange areas except those in Rate Group A. On July 13, 2006, the Staff routed its recommendation to permit the filing be allowed to go into effect. On July 17, 2006, the Public Counsel submitted a letter in which it objected to the rate increases. An Agenda was convened on July 17, 2006, where Commissioner Gaw moved to suspend the tariff filing for 30 days. The Motion failed on a 2-2 vote and the tariff filing went into effect on July 21, 2006. In a related matter, on July 20, 2006, AT&T submitted Tariff File No. JI-2007-0039 in which it lowered rates for mandatory EAS service in the Greenwood exchange by $1.21 in order to offset the basic local rate increase in the Greenwood exchange. In Case No. TO-2005-0144, the Commission

prohibited rate increases in Greenwood until January 10, 2010, unless notice is given in Case No. TO-2005-0144.

Porting Charge: In Tariff File No. JC-2007-0029, Fidelity Communications Services I implemented an installation charge of $40.00 that includes charging for porting a telephone number from the incumbent local exchange carrier. The filing went into effect on August 17, 2006.

IP termination service: In Tariff File No. JX-2007-0059, Quest Communications established a termination service for Internet traffic. The service, known as "Quest Express Service," provides transport and termination services to other telecommunications companies for aggregated long distance IP traffic bound for the circuit switched network. Because the service is provided to other telecommunications carriers, it is priced on a customer-specific basis.

Special toll rate in AT&T exchanges: In Tariff File No. JX-2007-0063, effective August 31, 2006, VarTec began charging long distance business customers a special rate applicable only in the exchange areas of the incumbent S.W. Bell.

Charge for a paper bill: In Tariff File No. JC-2007-0084, NuVox began charging a $5.95 "Account Detail Charge" monthly recurring fee to customers who do not retrieve their account detail electronically. The filing permits NuVox to charge the fee to those who receive a paper copy of their call detail as part of the customer's monthly statement sent via the U.S. Mail.

Optional MCA rate reductions: Tariff File No. JI-2007-0124 went into effect on September 1, 2006, in which Embarq permanently reduced monthly recurring rates for optional MCA business service in the Buckner and Lake Lotawana exchange areas. The effect of the filing was to reduce the rates from $26.78 to $18.00.

Charter's expanded local calling area: On October 30, 2006, Tariff File No. JL-2007-0205 went into effect in which Charter Fiberlink expanded its local residential service area to include the telephone exchange areas of St. Clair, Union, Washington, Bourbon, and Cuba.

AT&T's 811 service: Tariff File No. JI-2007-0260 was suspended on November 16, 2006, in response to a motion by Missouri One Call System, Inc. The tariff was filed by AT&T to implement 811, or "call before you dig" service. A hearing with live testimony was held on December 21, 2006, to address the issue of how the costs associated with implementation of 811 are to be recovered.

Tariff Streamlining: At its February 7, 2006 Agenda, and as a result of changes to Missouri telecommunications law enacted by Senate Bill 237, the Commission provided the following guidance on the various issues raised in the tariff filing issue paper previously distributed by the Staff:

(1) What type of filings should be allowed through one-day tariff filings?
   - ✓ 4 CSR 240-3.545(16) will be changed to clarify that only rate decreases to existing rate elements will be allowed. Promotions will still be filed on seven-day filings for competitive services and ten-day filings for non-competitive services.

(2) What tariffing requirements, if any, should apply to packages or bundles of telecommunications services?

- ✓ Packages of services are required to be tariffed and rates are required to be included in the tariff.
- ✓ Rate decreases for existing packages will be allowed with a one-day effective date.
- ✓ Rate increases for existing packages will be allowed with a ten-day tariff effective date.
- ✓ New packages, or changes in terms and/or conditions of an existing package, will be filed with a 30-day effective date.

(3) Should competitively classified telecommunications carriers be allowed to establish exchange-specific pricing in competitively classified exchanges?

- ✓ Yes; there should be a level playing field in competitively classified exchanges.

(4) What tariff filing requirements apply to customer-specific pricing arrangements?

- ✓ Individual customer-specific rates, terms, and conditions need not be tariffed. The general offering(s) or service(s) will continue to be tariffed with a notation that the offering or service is subject to customer-specific pricing. Individual contracts would be available to the Staff upon request.

Big River in BPS Telephone Company's area (Case No. TA-2007-0093): Big River Telephone Company filed an application to expand its service territory to BPS Telephone Company exchanges. This case marks the first "facility based" CLEC request to operate in a small local telephone company's territory and consequently tests compliance with Missouri law Section 392.451.1 which provides additional requirements for companies wanting to operate in a small telephone company's territory.

Government-like charge of Nationwide Long Distance (Case No. XA-2006-0409): The Office of Public Counsel opposed a "carrier cost recovery fee" being proposed by Nationwide Long Distance. Public Counsel stated that the charge was not adequately identified, and it requested the Commission to either reject the proposal, or to conduct an evidentiary hearing. On May 12, 2006, Nationwide submitted a substitute tariff sheet in which the Company removed the proposed $0.99 monthly fee and on May 15, 2006, the Public Counsel withdrew its opposition to the tariff filing. The Commission then permitted the Company's proposed tariff to become effective on June 4, 2006, and the case was closed.

Section XIX. Special Projects

EFIS DR Team: The Telecommunications Department participated in the EFIS DR Team which was created to make changes to the EFIS Data Request module. The team's first meeting was held on April 7, 2006. The team is no longer meeting and recommendations have been sent to the Division Directors.

MoUSF Reconciliation: The Telecommunications Department Staff worked with the Accounting Department to reconcile discrepancies between revenue reporting for the MoUSF, the Commission statements of revenue and annual reports.

Economic analysis of municipally owned or operated cable television and telecommunications facilities and services: Sections 71.970 and 392.410 of Missouri statutes require the Commission to annually analyze the impact of municipally owned and operated cable televisions and telecommunications services. In 2006 three municipalities provided cable television services to 9,800 subscribers. Although no municipalities offered local telephone service, ten municipalities offered Internet access service or data transmission service to approximately 5,800 customers.

Estimating Revenues for Telecom Companies: Companies are required to submit annual revenue statements for Commission assessment purposes; however, some companies fail to file such statements. In such situations the Telecommunications Department staff estimates revenues for non-reporting companies. For companies that submitted revenue data for 2004, staff forecasted current year revenue by multiplying 2004 revenue by the average change in revenue for the respective categories. On average, CLEC revenue increased by 5%, IXC revenue increased by 6%, and payphone revenue increased by 3%. When the previous year's revenue was not available, staff forecasted revenue based on the median 2005 revenue for the respective categories. Median 2005 revenues were $54,052 for CLECS, $6,453 for IXCs and $180 for payphone providers. For companies that are certificated in multiple categories, the estimated median for each category is summed.

Telephone Number Porting Trial: In November 2006, Homeland Security conducted a trial to port ten telephone numbers from Jefferson City to Sedalia. The purpose was to essentially test if these numbers could be relocated to Sedalia in the event of a disaster occurring in Jefferson City, whereby all telecommunications facilities in Jefferson City are destroyed. Embarq, AT&T, Cingular, NeuStar, Office of Administration, and Homeland Security participated in the trial. Some problems were discovered such as certain switches may have difficulty "unporting" the numbers. Likewise TDMA wireless technology may experience some problems in porting telephone numbers. Further testing is needed to determine the viability of porting telephone numbers to a distant location in the event of a disaster.

Release of customer proprietary information to the National Security Agency: During 2006, in response to newspaper articles alleging certain telecommunications companies released private customer information to the National Security Agency, Commissioners Gaw and Clayton attempted to investigate the extent telephone companies released Missouri customer proprietary information to the National Security Agency in violation of Missouri Customer Proprietary Network Information rules. The investigation has resulted in considerable media attention and court action.

Jamaican partnership: On February 15 and 16, 2006, presentations were made to the Jamaican delegation as part of the Missouri Commission's partnership with the Jamaican utility commission. Telco-related presentations were made concerning authorization to provide telecommunications services and our quality of service standards applied to telecommunications companies.

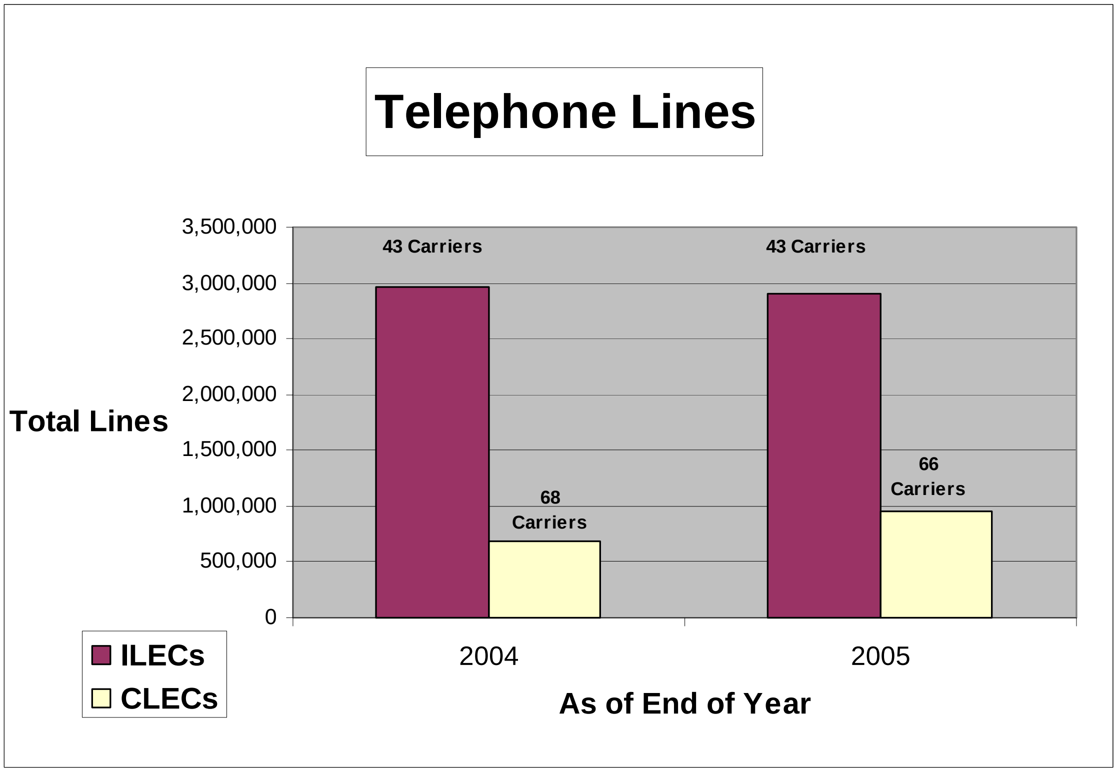
Revised CLEC annual report forms: The Commission Staff proposed revisions to the CLEC annual report forms for the 2007 calendar year. The revisions, which primarily attempt to further

clarify and provide more specific information on local voice service lines within Missouri, were ultimately approved.

Reporting of private line/special access revenue: Initial investigation began on how companies report private line and special access revenue. The investigation shows companies are inconsistently reporting this revenue. In particular, the Staff is seeking to determine the inputs being used to calculate the Missouri jurisdictional portion of total company revenue for private line and special access revenue, as reported under FCC accounts 5040, 5083, and 5084. Further work is being conducted to ensure consistency in reporting this type of revenue.

Storm Report for St. Louis area (Case No. EO-2007-0037)**:** This case was established after storms created power outages in the St. Louis area in July 2006. A total of 47,384 lines experienced telecommunications service outages as the result of the storms on July 19 and July 21, 2006. This natural disaster impacted a seven county area around St. Louis. Physical damage to telecommunications company facilities was the cause for telecommunications service outages for 9,785 St. Louis area lines. Loss of commercial electrical power caused telecommunications service interruptions or outages for 37,599 consumers. Some telephone technologies may require power at multiple locations. For example, telephone service provided by digital line carrier (DLC) requires power at both the central office and the DLC or node. In cable and fiber to the home applications electrical power is required at potentially three locations: the central office, a DLC or node and at the customer premise, including power for the customer's telecommunications equipment. Proactive measures were taken by certain companies to try and minimize the number of customers experiencing an outage. For instance, back-up batteries and/or generators were placed at central offices or head-ends and remote terminals. Back-up power provided by telecommunications companies maintained telecommunications services for 906,959 lines. Absent the use of batteries and generators, all of these lines would have experienced a telecommunications service outage. The average amount of time a company used back-up power was thirty-two hours. Some companies attempted to accelerate restoring service by using either contract labor or additional resources from other locations within their respective companies.

Section XX. Telephone Statistics



CLEC Lines (as of 12/31/05)		
Type	**Residential**	**Business**
Resold	8,882	6,495
UNE-Loop	5,451	120,906
UNE-Platform	91,516	57,762
Facilities-based	111,697	32,512
Total	**217,546**	**435,221**

Internet Access/Broadband: According to a Leichtman Research Group study released in May 2006, 69% of U.S. households subscribe to an Internet access service, with 60% of those subscriptions for broadband service. Out of the entire U.S. population, approximately 30% have no home Internet access, approximately 42% have home-based broadband Internet access, and approximately 28% have home-based dial-up Internet access.

In 2004, on a national basis, roughly 20% of households had broadband Internet access, roughly 40% of households had dial-up Internet access, and roughly 40% of households had no Internet access at all.

Internationally, according to a 2005 International Telecommunications Union report, out of the top 20 economies, the United States ranks 16th in broadband penetration with a rate of just over 15 percent. In the same report for 2004, the United States also ranked 16th in broadband penetration, with a rate of 12.9%.

As of December 2005, according to data gathered by the FCC, there were 764,717 high speed lines in Missouri, with 398,671 DSL connections provided by 38 separate DSL providers. Incumbent local exchange carriers provided DSL access to 69 percent of their end users.

As of June 2004, Missouri had 543,189 high-speed Internet lines. Of those, 233,916 were DSL (Digital Subscriber Lines), provided by a local telephone company. As of June 2003, Missouri had 366,978 total high-speed Internet connections. Of those, 138,046 were DSL lines.

Wireless: Roughly eight percent of households nationwide had only wireless phones in 2005 (no wireline connection) according to the FCC's "Annual Report and Analysis of Competitive Market Conditions With Respect to Commercial Mobile Services" released September 29, 2006. This estimate is an increase from the approximately four percent of households in 2004 and three percent of households in 2003. One survey found that roughly six million households had only a wireless telephone.

As of December 2005, total wireless penetration was estimated at 71 percent of the U.S. population, with the total number of subscribers at 213 million, up from 184.7 million as of December 2004. The FCC's July 2006 report on local competition indicates there were 3,732,549 wireless subscribers in Missouri as of December 2005 (with 12 providers reporting), up from 2,859,953 as of June 2004.

VoIP: According to research and consulting firm Telegeography, there are approximately 6.9 million VoIP subscribers in the United States as of second quarter 2006. This estimate includes both cable providers and companies such as Vonage. The second quarter alone saw an increase of 1.23 million VoIP subscribers, according to this estimate. The research and consulting firm Telephia performed an estimate of VoIP users excluding VoIP offered by cable companies. Telephia estimated there were 2.9 million VoIP customers taking service from companies such as Vonage as of the second quarter, 2006. The research and consulting firm In-Stat estimated that by year end 2006 there would be 4.4 million customers of cable provider VoIP service.

Section XXI. Legislation

State legislative activity

Statewide Video Franchise: Legislation (SB 816) was considered to allow any entity authorized to provide local exchange telecommunications services in Missouri to obtain a statewide video services authorization from the MoPSC. No action was taken on this legislation.

Senate Interim Subcommittee on Choice in 21st Century Technology: On August 21, 2006, Natelle Dietrich and Walt Cecil testified before the Senate Interim Subcommittee on Choice in 21st Century Technology. Natelle testified on recent proposed federal legislation and its potential impacts on Missouri telecommunications carriers, consumers and regulation. Walt described Relay Missouri, provided intrastate and interstate statistics and discussed potential changes in the federal compensation regime and reasonable impacts on the state from those changes in federal policy.

<u>Telecommunications Department Proposed Legislation</u>

Relay Missouri funding: Staff drafted legislation language that would apply the relay surcharge to all assigned retail phone numbers in the state in response to legislative lobbying by Tracy Mishler, chairwoman of the Relay Missouri Advisory Committee. No action was taken on this legislation.

Detariffing: Staff drafted legislation to give the Missouri Commission the discretion to detariff or waive the tariffing requirement for certain categories of telecommunications companies or for any telecommunications service. No action was taken on this legislation.

<u>Federal legislative activity</u>

Federal legislation was proposed to rewrite certain parts of the Telecommunications Act of 1996. Legislation failed to pass Congress.

Section XXII. Mergers and Other Financial Transactions

Alltel spins-off local telephone service operations and becomes "Windstream" (Case No. TM-2006-0272): In a similar transaction as Sprint spinning-off its local landline operations in 2005, Alltel spun-off its landline local telephone service operations, effective May 5, 2006. The spun-off landline entity later was named Windstream.

FairPoint acquires Cass County Telephone Company (Case No. TM-2006-0306): The Commission approved the transfer on May 30, 2006. In order to complete the transaction FairPoint (a company based in Charlotte, North Carolina) also needed to obtain FCC approval. The FCC ultimately approved the transaction on July 26, 2006, with conditions as discussed under the federal activity section of this report.

Direct Communications Rockland acquires New Florence Telephone Company (Case No. TO-2007-0139): On October 2, 2006, Direct Communications Rockland, Inc.'s (a company based in Rockland, Idaho), Tiger Telephone, Inc, and New Florence Telephone Company submitted an application to transfer the stock of Tiger Telephone, Inc., which includes all of the stock of New Florence, to Direct Communications or an entity designated by Direct. (Tiger Telephone, Inc. owns all the stock of New Florence Telephone Company.) After the sale of stock, New Florence Telephone Company will continue to provide service under the same New Florence name. (The Commission approved the transaction in March 2007.)

AT&T acquires Bell South: The FCC approved the transaction on December 29, 2006. The Office of Public Counsel had previously filed a motion to open a case on the AT&T/Bell South merger but the Missouri Commission declined to take action (Case No. TO-2006-0437).

SBC Long Distance changes name to AT&T Long Distance. (Case No. XN-2006-0268): This name change resulted from SBC's acquisition of AT&T in 2005.

Verizon acquires MCI: The FCC approved this transaction on January 6, 2006.